

Reuters

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April 11, 2017, 3:36 PM MST

Waterous PE firm targets Canadian, U.S. energy assets

TORONTO (Reuters) - Private equity firm Waterous Energy Fund is seeking investment opportunities in the Canadian oil and gas sector as valuations turn attractive after a prolonged slump in the oil price, making a contrarian bet as global players pull back, its top executive said.

Calgary-based Waterous Energy, which invests C\$100 million to C\$400 million (\$75 million to \$300 million) per deal in energy assets, is targeting companies in Canada and the United States, and is finding Canada particularly appealing, said Adam Waterous, head of Waterous Energy and a former top investment banker at Bank of Nova Scotia (BNS.TO).

Waterous Energy agreed to pay about C\$244 million for a 67 percent stake in Canadian energy company Northern Blizzard Resources Inc NBZ.TO from U.S. private equity firms Riverstone Holdings LLC and NGP Energy Capital Management LLC. This marks the second deal for Waterous Energy, which already has committed C\$650 million since setting up shop earlier this year.

Northern Blizzard shares ended the day up 5.1 percent.

The Waterous acquisition is the latest example of Canada-focused firms buying into the country's energy sector and comes as international energy players exit the market. "The macro theme playing out is the 'Canadianization' of the heavy oil business," Waterous said in an interview. "These assets tend to be very capital intensive upfront but once they're onstream they have long reserve life and tend to have high free cash flow. From a Canadian investor's perspective, that's really compelling."

Last month, ConocoPhillips (COP.N) said it would sell oil sands and natural gas assets to Calgary-based Cenovus Energy (CVE.TO) for C\$17.2 billion, while Canadian Natural Resources Ltd (CNQ.TO) is snapping up billions of dollars worth of oil sands assets from Royal Dutch Shell (RDSa.L) and Marathon Oil Corp (MRO.N).

Oil prices have lost about 50 percent of their value since June 2014, when the industry slump began. They are almost flat since the start of the year.

"The market is saying the sun has set on the oil business," Waterous said. "I'm willing to bet against that."

Waterous said his firm was looking for assets with long reserve lives in top quartile reservoirs, where advanced technology techniques could be used.

"I find the environment right now to be very compelling. You've got a pessimistic market, you've got low costs in Calgary and you've got new technology being developed," he said.

For Waterous Energy, private Canadian energy producer Strath Resources Ltd was its first investment.